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U.S. Took 'Extraordinarily Soft Line' In Allende's First Year, Envoy Says

By PETER KIHSS

In the late Salvador Allende Gossens's first year as President in Chile, the United States pursued "an extraordinarily soft line" and tried to develop a "modus vivendi" with the leftist Government, according to former Ambassador Edward M. Korry.

Mr. Korry says that when Dr. Allende reneged on one agreement and "proceeded to break almost every assurance he had volunteered," he warned the Chilean leader of "the inescapable consequences of provoking American enmity," at least in terms of blocking international credits. That was in September, 1971, just about a month before Mr. Korry's appointment in Santiago ended.

Mr. Korry described efforts during his ambassadorship to cooperate with Dr. Allende's regime to back up testimony he gave last year to a Senate Foreign Relations subcommittee. He contended that his testimony was being wrongly challenged as potentially misleading in the latest disputes over Central Intelligence Agency activities in Chile.

Mr. Korry, who was Ambassador from October, 1967, through October, 1971, had told the subcommittee: "The United States did not seek to pressure, subvert, influence a single member of the Chilean Congress at any time in the entire four years of my stay. No hard line toward Chile was carried out at any time."

He said in an interview with The New York Times, that insofar as his own period as Ambassador was concerned, "I stand by that statement unconditionally." In his use of the word "influence," Mr. Korry said, he meant to deny any attempt to "influence in the sense of bribery."

Succeeded in 1970

Dr. Allende won a plurality in a three-way presidential election on Sept. 4, 1970. He was confirmed as President by the Chilean Congress on Oct. 24, and was inaugurated on Nov. 3, 1970. In October, 1971, Mr. Korry was succeeded as Ambassador to Chile by Nathaniel Davis, who was still serving when a military coup led to Dr. Allende's ouster and death in September of last year.

Now a writer and consultant, Mr. Korry, 52 years old, was interviewed at his home in Briarcliff Manor, N. Y., last Thursday after disclosures of Congressional testimony by William S. Colby, Director of Central Intelligence.

Mr. Colby reportedly testified that the agency was authorized to spend more than \$8-million clandestinely from 1970 to 1973 to "destabilize" the Marxist regime. According to Washington reports, \$7-million of the authorized amount was spent.

Support for Center

"When I launched the soft line toward Allende," Mr. Korry said, "I also believed unwaveringly that the United States should support some of those who were committed to democracy and its practices as understood in the United States as well as in Chile [to help them] to survive. The kinds of people that I had in mind were nonextremist, nonmilitary practitioners of center democracy."

Mr. Korry said he had warned in a September, 1970, cablegram shortly after Dr. Allende's election that "there was no chance of any political or other intervening event preventing Allende from being confirmed as President or inaugurated in November."

"I gratuitously inserted, not once but more than once," he added, "the strong statement that if anyone were to be contemplating a United States intervention of any kind—direct or indirect—to bar Allende's assumption of power, its consequences would be worse for United States interests than the Bay of Pigs, both in and outside of Chile."

Frei's Election Backed

The administrations of both Presidents John F. Kennedy and Lyndon B. Johnson, Mr. Korry said, had decided to "go all-out" to support the election of Eduardo Frei Montalva, a Christian Democrat, as President in 1964 to defeat Dr. Allende. "Congress was fully aware of the policy of stopping Allende in 1964," he contended.

The Administration of President Richard M. Nixon, he said, decided in March, 1969—while Mr. Frei was still in office—against signing agreements Mr. Korry had negotiated for \$40-million in standby loans to Chile

on the ground that "the high price of copper provided enough dollars for Frei."

Mr. Korry said he had appealed against the decision, warning that Mr. Frei would "start nationalizing copper companies" and would resume trade relations with Premier Fidel Castro's Cuban Government despite inter-American sanctions—as it then did.

The United States, Mr. Korry said, had already decided in 1968, during the Johnson Administration, virtually to avoid any new guarantees of American investment in Chile. He said the reason was that Chile had a disproportionately high percentage of such United States guarantees on a worldwide basis.

In 1969, he said Washington refused to go along with business opposition to Chilean nationalization of copper companies. In 1970, he said, Washington "put the Chilean military off limits" to embassy relations and "refrained from financing any party or candidate." Under the Chilean constitution, Mr. Frei could not succeed himself.

Mr. Korry held that it would betray both his government oaths and Chileans whose lives would be endangered to discuss details of Central Intelligence Agency activities.

But he declared that in testimony before a Senate Foreign Relations subcommittee last year, he significantly "never denied" C.I.A. funding for some programs—and had referred questions to the agency.

'Anti-Communist Program'

The United States in 1969 and 1970 "was continually carrying out an anti-Communist program," he said. After he warned against any effort to block Dr. Allende's confirmation or inauguration, he said he took part in consultations in Washington in October, 1970, on three potential policies:

"A—conscious effort to work out a modus vivendi; B—seek correct but minimal relations; C—try to isolate and hamper."

President Nixon, he said, officially decided on the middle "correct but minimal" line. In fact, Mr. Korry said, all three lines were followed.

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On his own, he said, he offered to work with Clodomiro Almeyda Medina, Foreign Minister in the Allende Government, "pragmatically, problem by problem"—and in secret, to have greater latitude.

The first result, he said, was that the Chileans agreed to buy at an acceptable price a plant of the Northern Indiana Brass Company.

Also, he said, there had been \$800-million in outstanding Agency for International Development loans by the United States to Chile, and "tens of millions" under these were kept flowing that first year.

Bank Loans Agreed

On his recommendation, he said, the Nixon Administration consented in 1971 to two Inter-American Development Bank loans to Chile totalling \$11.6-million.

He said he told Allende officials that the United States would consider new bilateral help if there was no "undue hostility or irrationality," but had added that Congressional requirements for audits would probably be unacceptable to the Chileans.

The "high points of this early period of good working relations," Mr. Korry said, were agreement, early in April, 1971, for Chilean purchase of Bethlehem Steel Company iron mines with 15-year bonds "in the \$20-million bracket" and then in May, 1971, for Chilean

purchase of a Cerro Copper Company mine.

The Cerro pact, he said, would have averted a \$14-million outlay by the United States in Overseas Private Investment Corporation antiexpropriation insurance.

Thirty minutes before it was to be signed, Mr. Korry said, President Allende delayed it under pressure from "the most extreme of the Marxist-Leninists in his coalition"—and kept stalling it until the coup.

Mr. Korry said he had looked on the Cerro pact as a precedent for potential agreements on properties of the Anaconda and Kennecott copper companies and the International Telephone & Telegraph Company, which involved United States antinationalization guarantees with "taxpayer exposure of between \$300-million and \$500-million."

In July, 1971, Mr. Korry said he went to Washington and obtained approval from William P. Rogers, then the Secretary of State, and "no objection" from Henry A. Kissinger on behalf of the National Security Council to offer another idea. This, he said, was to be "in my name only" at the outset, to avoid drawn-out bureaucratic delays.

It would have had Chile pay for nationalizations in low-interest, 25-year notes. The United States Treasury would back these with its "full faith and credit" so that each company could then readily discount the notes for cash in banks. A similar plan this year let the Treasury back Israeli bonds for arms purchases, Mr. Korry said.

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